



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ROWAN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROWAN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Rowan County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances decreased by \$263,677 from the prior fiscal year, resulting in a cash surplus of \$1,813,682 as of June 30, 2001. Revenues increased by \$2,329,181 from the prior year and disbursements increased by \$709,404.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2001, was \$2,720,000. Future collections of \$3,405,368 are needed over the next eleven years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,064,000 as of June 30, 2001. Future principal and interest payments of \$2,495,969 are needed to meet these obligations.

#### **Report Comments:**

No reportable conditions were disclosed.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Rowan County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Rowan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Rowan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Rowan County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2002, on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Rowan County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 13, 2002



ROWAN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Clyde A. Thomas	County Judge/Executive
Mary Anna Pecco	Magistrate
Jerry L. Flannery	Magistrate
Troy D. Perkins	Magistrate
Nick A. Caudill	Magistrate

**Other Elected Officials:**

Paul R. Stokes	County Attorney
Donald K. Hall	Jailer
Jean W. Bailey	County Clerk
James Barker	Circuit Court Clerk
Jack Carter	Sheriff
C. J. Baker	Property Valuation Administrator
John P. Northcutt	Coroner

**Appointed Personnel:**

Kerry M. Jessee	County Treasurer
Charles F. Stansbury	Occupational Tax Collector
Maryann Stevens	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

ROWAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 89,939

Investments 1,205,218

Road and Bridge Fund:

Cash 66,959

Jail Fund:

Cash 14,879

Local Government Economic Assistance Fund:

Cash 12,619

Disaster and Emergency Services Fund:

Cash 3,136

Payroll and Occupational Tax Fund:

Cash 289,095

Payroll Revolving Account - Cash 1,894 \$ 1,683,739

Special Revenue Fund Type

Forest Fund:

Cash 131

Debt Service Fund Type

County of Rowan Properties Corporation Fund:

Courthouse Improvement Construction Bond - Cash

Courthouse Bond Paying Account \$ 649

Courthouse Improvement Construction Bond Account 328

Courthouse Improvement Construction Account 5 \$ 982

Detention Facilities Series 1997 Bond - Cash

Detention Facilities Debt Reserve Account \$ 128,620

Detention Facilities Bond Paying Account 2,104 130,724

Detention Facilities Series 1991 Bond Escrow Account -

Investments 1,004,355 1,136,061

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be provided in Future Years for Kentucky  
 Area Development Districts Financing Trust (Note 6C) \$ 1,380,000

Road and Bridge Fund:

Amounts to be Provided in Future Years for Kentucky  
 Association of Counties Leasing Trust Agreement Principal (Note 6) 684,000 \$ 2,064,000

Debt Service Fund Type

County of Rowan Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments -  
 Detention Facilities Series 1997 Bond \$ 899,276  
 Road Improvement Bond 1,690,000  
 Loan Receivable (Note 5A) 47,944 2,637,220

Total Assets and Other Resources \$ 7,521,151

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Short Term Note (Note 4) \$ 237,049  
 Kentucky Area Development Districts  
 Financing Trust (Note 6C) 1,380,000

Road and Bridge Fund:

Kentucky Association of Counties Leasing Trust Agreement (Note 6) 684,000  
 Payroll Revolving Account 1,894 \$ 2,302,943

Debt Service Fund Type

County of Rowan Properties Corporation Fund:

Bank Loan (Note 5A) \$ 47,944  
 Detention Facilities Series 1997 Bond Principal Not Matured (Note 5C) 1,030,000  
 Detention Facilities Series 1991 Bond Principal Not Matured (Note 5D) 950,000  
 Road Improvement Bond Principal Not Matured (Note 5E) 1,690,000 3,717,944

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Local Government Economic Assistance Fund	\$ 12,619	
Disaster and Emergency Services Fund	3,136	
Payroll and Occupational Tax Fund	<u>289,095</u>	\$ 304,850

Special Revenue Fund Type

Forest Fund		131
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Debt Service Fund Type

County of Rowan Properties Corporation Fund -		
Courthouse Improvement Construction Bond (Note 5B)	\$ 982	
Detention Facilities Series 1991 Bond Escrow Account (Note 5D)	<u>54,355</u>	55,337

Unreserved:

General Fund Type

General Fund	\$ 1,058,108	
Road and Bridge Fund	66,959	
Jail Fund	<u>14,879</u>	<u>1,139,946</u>

Total Liabilities and Fund Balances		<u><u>\$7,521,151</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ROWAN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,341,804	\$ 1,846,592	\$ 1,028,470	\$ 672,322
Other Financing Sources:				
Transfers In	3,579,503	1,643,161	1,218,212	198,000
Borrowed Money	237,049	237,049		
Lease-Purchase Proceeds	1,500,000	1,500,000		
Total Cash Receipts	<u>\$ 11,658,356</u>	<u>\$ 5,226,802</u>	<u>\$ 2,246,682</u>	<u>\$ 870,322</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,445,337	\$ 4,132,659	\$ 1,779,969	\$ 804,781
Other Financing Uses:				
Schedule of County of Rowan Properties Corporation Fund Expenditures	45,603			
Transfers Out	3,579,503	1,035,180	255,215	117,235
Bonds:				
Principal Paid	493,000			
Interest Paid	150,024			
Borrowed Money Repaid	3,566			
Kentucky Association of Counties Leasing Trust - Principal	205,000		205,000	
Total Cash Disbursements	<u>\$ 11,922,033</u>	<u>\$ 5,167,839</u>	<u>\$ 2,240,184</u>	<u>\$ 922,016</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (263,677)	\$ 58,963	\$ 6,498	\$ (51,694)
Cash Balance - July 1, 2000 (a)	<u>2,077,359</u>	<u>1,236,194</u>	<u>60,461</u>	<u>66,573</u>
		(b)		
Cash Balance - June 30, 2001 (a)	<u>\$ 1,813,682</u>	<u>\$ 1,295,157</u>	<u>\$ 66,959</u>	<u>\$ 14,879</u>
(a) Cash Balance Includes Investments				
(b) Adjusted Prior Year Balance Due to Prior Year Voided Checks				

The accompanying notes are an integral part of the financial statements.



ROWAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type			Special Revenue Fund Type		
Local Government Economic Assistance Fund	Disaster Emergency Services Fund	Payroll and Occupational Tax Fund	Community Development Block Grant Fund	Forest Fund	Appalachian Regional Commission - Water Storage Grant Fund
\$ 25,618	\$ 34,122	\$ 2,183,919	\$ 12,077	\$ 1,075	\$ 64,376
	20,500			500	
<u>\$ 25,618</u>	<u>\$ 54,622</u>	<u>\$ 2,183,919</u>	<u>\$ 12,077</u>	<u>\$ 1,575</u>	<u>\$ 64,376</u>
\$	\$ 58,468	\$ 181,567	\$ 12,077	\$ 1,651	\$ 64,376
12,999		2,118,583			
<u>\$ 12,999</u>	<u>\$ 58,468</u>	<u>\$ 2,300,150</u>	<u>\$ 12,077</u>	<u>\$ 1,651</u>	<u>\$ 64,376</u>
\$ 12,619	\$ (3,846) 6,982	\$ (116,231) 405,326	\$	\$ (76) 207	\$
<u>\$ 12,619</u>	<u>\$ 3,136</u>	<u>\$ 289,095</u>	<u>\$ 0</u>	<u>\$ 131</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

	<u>Special Revenue Fund Type</u>		<u>Debt Service Fund Type</u>
	<u>Bond Proceeds Fund</u>	<u>Kentucky Economic Development Fund</u>	<u>County of Rowan Properties Corporation Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 49,728	\$ 400,282	\$ 23,223
Other Financing Sources:			
Transfers In	70		499,060
Borrowed Money			
Lease-Purchase Proceeds			
Total Cash Receipts	<u>\$ 49,798</u>	<u>\$ 400,282</u>	<u>\$ 522,283</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 9,778	\$ 400,011	\$
Other Financing Uses:			
Schedule of County of Rowan Properties Corporation Fund Expenditures			45,603
Transfers Out	40,020	271	
Bonds:			
Principal Paid			493,000
Interest Paid			150,024
Borrowed Money Repaid			3,566
Kentucky Association of Counties Leasing Trust - Principal			
Total Cash Disbursements	<u>\$ 49,798</u>	<u>\$ 400,282</u>	<u>\$ 692,193</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	\$	\$ (169,910)
Cash Balance - July 1, 2000 (a)			301,616
Cash Balance - June 30, 2001 (a)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 131,706</u>
(a) Cash Balance Includes Investments			

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Rowan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the County of Rowan Properties Corporation Fund as part of the reporting entity.

The County of Rowan Properties Corporation (the Corporation) is a legally separate entity established to provide long term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

Additional Rowan County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Rowan County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Rowan County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Disaster and Emergency Services Fund, and the Payroll and Occupational Tax Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund, Forest Fund, Appalachian Regional Commission - Water Storage Grant Fund, Bond Proceeds Fund, and the Kentucky Economic Development Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the County of Rowan Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Rowan County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the County of Rowan Properties Corporation Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Rowan County Fiscal Court: Rowan County Ambulance Board and the Rowan County Airport Board.

G. Jointly Governed Organization

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Short-Term Debt

On May 31, 2001, the Rowan County Fiscal Court borrowed \$237,049 for the purchase of real property for the Rowan County Airport. The interest rate was 5.35% and the loan would be required to be paid in full by July 3, 2001.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt

Long-term debt outstanding of the County of Rowan Properties Corporation includes:

- A. On April 23, 1996, the County of Rowan Properties Corporation entered into a loan with Firststar Bank for \$65,000 for the purchase of a building. The loan carries an interest rate of 6.25% and requires monthly payments of \$561 for 180 months, to be paid in full April 21, 2011. The principal balance of the agreement was \$47,944 as of June 30, 2001. The County of Rowan Properties Corporation has entered into a lease-purchase agreement for the building with Rowan County Fiscal Court and Rowan County Fiscal Court has subleased the building to DOVES of Gateway. The loan, lease-purchase, and sublease are under the same terms. Loan payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 3,006	\$ 2,541
2003	2,764	3,962
2004	2,512	4,215
2005	2,230	4,496
2006	1,937	4,789
Through 2012	<u>4,569</u>	<u>27,941</u>
Totals	<u>\$ 17,018</u>	<u>\$ 47,944</u>

- B. On March 1, 1998, the County of Rowan Properties Corporation issued \$1,711,000 of revenue bonds for the purpose of courthouse renovation. The bonds require semiannual interest and principal payments to be made April 1 and October 1 of each year commencing October 1, 1998. The bonds matured April 1, 2001, and the final bond payment was made on that date.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

- C. On September 1, 1997, the County of Rowan Properties Corporation issued \$1,285,000 of revenue bonds for the purpose of defeasing the 1991 bond series issue. The 1991 bonds were originally issued to finance construction of the Rowan County Detention Center. The refunding bonds were dated September 1, 1997, with the requirement that semiannual interest payments be made on March 1 and September 1 of each year. One principal payment is due on March 1 of each year. The bonds will mature March 1, 2012. As of June 30, 2001, the principal amount outstanding is \$1,030,000. Bond payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 51,690	\$ 75,000
2003	47,978	75,000
2004	44,266	80,000
2005	40,266	85,000
2006	36,016	90,000
Through 2012	<u>114,844</u>	<u>625,000</u>
Totals	<u>\$ 335,060</u>	<u>\$ 1,030,000</u>

- D. The County of Rowan Public Properties Corporation issued the 1991 bond series for the purpose of financing construction of the Rowan County Detention Center. On September 1, 1997, refunding bonds were issued for the purpose of defeasing the 1991 bond series issue. Currently, Fifth Third Bank is making the required principal and interest payments on the bonds from Rowan County's Refunding Bond Escrow account at Fifth Third Bank. As of June 30, 2001, the principal balance outstanding on the 1991 bond series issue was \$950,000.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 69,815	\$ 60,000
2003	65,615	65,000
2004	61,000	70,000
2005	55,960	75,000
2006	50,485	80,000
Through 2012	<u>166,045</u>	<u>600,000</u>
Totals	<u>\$ 468,920</u>	<u>\$ 950,000</u>



ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

- E. On June 15, 1999, the County of Rowan Properties Corporation issued \$2,035,000 of revenue bonds for road improvements. The bonds require that semiannual interest and principal payments be made on June 1 and December 1 of each year commencing on December 1, 1999. One principal payment is due on June 1 of each year. The bonds will mature June 1, 2009. As of June 30, 2001, the principal amount outstanding is \$1,690,000. Bond payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 73,255	\$ 180,000
2003	65,605	190,000
2004	57,530	195,000
2005	49,243	205,000
2006	40,530	215,000
Through 2009	<u>64,145</u>	<u>705,000</u>
Totals	<u>\$ 350,308</u>	<u>\$ 1,690,000</u>

Note 6. Capital Leases

- A. Rowan County entered into a \$992,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 132 months to be paid in full January 20, 2003. On May 7, 2001, the lease was refinanced. The scheduled principal and interest payments shown are for the refinanced amounts. The principal balance of the agreement was \$225,000 as of June 30, 2001. Lease payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 7,026	\$ 110,000
2003	<u>2,631</u>	<u>115,000</u>
Totals	<u>\$ 9,657</u>	<u>\$ 225,000</u>

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

- B. Rowan County entered into a \$1,000,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 114 months to be paid in full January 30, 2005. The principal balance of the agreement was \$459,000 as of June 30, 2001. Lease payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 23,890	\$ 107,000
2003	15,267	112,000
2004	9,563	117,000
2005	3,588	123,000
Totals	<u>\$ 52,308</u>	<u>\$ 459,000</u>

- C. Rowan County entered into a \$1,500,000 lease agreement with the Kentucky Area Development Districts Financing Trust for airport land acquisition. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing December 1, 2000. One principal payment is due on June 1 of each year commencing June 1, 2001. The lease agreement ends June 1, 2010. The Morehead - Rowan County Airport Board made a resolution that they would provide funds to the Rowan County Fiscal Court to make these payments. The Morehead - Rowan County Airport Board's ability to provide this funding is contingent on the Transportation Cabinet's Kentucky Aviation Economic Development Fund continuing to provide annual assistance to them. The principal balance on the lease was \$1,380,000 as of June 30, 2001. Lease payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 68,490	\$ 125,000
2003	62,553	130,000
2004	56,378	140,000
2005	49,728	145,000
2006	42,840	150,000
Through 2010	90,015	690,000
Totals	<u>\$ 370,004</u>	<u>\$ 1,380,000</u>

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During the Fiscal Year Ending June 30, 2001, the Rowan County Jail Canteen received \$13,685 and expended \$27,636. The Jail Canteen reported June 30 ending balances of \$27,780 and of \$13,829 for 2000 and 2001 respectively.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



ROWAN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,165,846	\$ 1,846,592	\$ (1,319,254)
Road and Bridge Fund	996,107	1,028,470	32,363
Jail Fund	605,219	672,322	67,103
Local Government Economic Assistance Fund	23,100	25,618	2,518
Disaster and Emergency Services Fund	32,737	34,122	1,385
Payroll and Occupational Tax Fund	2,118,098	2,183,919	65,821
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	83,166	12,077	(71,089)
Forest Fund	900	1,076	176
Appalachian Regional Commission- Water Storage Grant Fund	319,053	64,376	(254,677)
Bond Proceeds Fund	49,728	49,728	
Kentucky Economic Development Fund	400,000	400,282	282
Totals	<u>\$ 7,793,954</u>	<u>\$ 6,318,582</u>	<u>\$ (1,475,372)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 7,793,954	
Add: Budgeted Prior Year Surplus		1,252,178	
Less: Other Financing Uses		<u>(710,541)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 8,335,591</u>	

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SCHEDULE OF OPERATING REVENUE



ROWAN COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 2,683,798	\$ 2,682,723	\$ 1,075	\$
In Lieu Tax Payments	89,236	89,236		
Excess Fees	76,449	76,449		
License and Permits	82,515	82,515		
Intergovernmental Revenues	3,095,548	2,619,054	476,494	
Charges for Services	21,531	21,531		
Miscellaneous Revenues	172,181	122,453	49,728	
Interest Earned	120,546	97,082	241	23,223
Total Operating Revenue	<u>\$ 6,341,804</u>	<u>\$ 5,791,043</u>	<u>\$ 527,538</u>	<u>\$ 23,223</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

ROWAN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,020,597	\$ 969,328	\$ 51,269
Protection to Persons and Property	1,510,298	1,180,608	329,690
General Health and Sanitation	153,406	144,776	8,630
Social Services	280,800	200,607	80,193
Recreation and Culture	80,421	73,818	6,603
Roads	1,596,224	1,592,426	3,798
Airports	2,003,175	2,003,162	13
Bus Services	18,656	18,656	
Debt Service	40,189	40,189	
Capital Projects			
Administration	771,593	733,874	37,719
Total Operating Budget - General Fund Type	\$ 7,475,359	\$ 6,957,444	\$ 517,915
Other Financing Uses:			
Transfers to County of Rowan			
Properties Corporation Fund			
Principal	366,908	493,000	(126,092)
Interest	138,633	150,024	(11,391)
Borrowed Money Repaid		3,566	(3,566)
Kentucky Association of Counties			
Leasing Trust - Principal	205,000	205,000	
TOTAL BUDGET - GENERAL FUND TYPE	\$ 8,185,900	\$ 7,809,034	\$ 376,866

ROWAN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 1,700	\$ 1,651	\$ 49
General Health and Sanitation	319,053	64,376	254,677
Capital Projects	459,781	409,988	49,793
Administration	79,698	11,878	67,820
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 860,232</u>	<u>\$ 487,893</u>	<u>\$ 372,339</u>

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SCHEDULE OF COUNTY OF ROWAN  
PROPERTIES CORPORATION FUND EXPENDITURES



ROWAN COUNTY  
SCHEDULE OF COUNTY OF ROWAN  
PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	<u>Amount</u>
Loan Interest	\$ 3,160
Trustee Fees	500
Loss on Sale of Bonds (purchased at a premium)	<u>41,943</u>
Totals	<u><u>\$ 45,603</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Rowan County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 13, 2002



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

ROWAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

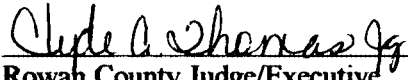
Appendix A



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS**  
**COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Rowan County Judge/Executive

  
\_\_\_\_\_  
Rowan County Treasurer